

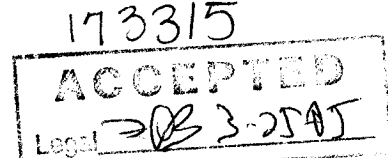
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SA1
4/2/05

March 24, 2005

JOHN W. FLITTER
DIRECTOR
ELECTRIC & GAS REGULATION

The Honorable Charles L.A. Terreni
Chief Clerk & Administrator
Public Service Commission of South Carolina
101 Executive Center Drive
Columbia, South Carolina 29210

RECEIVED
2005 MAR 24 PM 12:34
SC PUBLIC SERVICE COMMISSION

Re: Commission Utilities Matters Action Agenda Item – Docket No. 2005-48-E - Duke Power Company's request for Approval of two proposed new rate schedules, Schedule HP-Flex (SC), Hourly Pricing, Flexible Baseline (Pilot) and Rider NL (SC), Economic Development for New Load (Pilot).

Dear Mr. Terreni,

This is to inform the Public Service Commission that the Office of Regulatory Staff has reviewed the above referenced filing and with the exception of one recommendation we do not have an objection to the Company's request for approval of these two new tariffs. The Company states in the Application these new tariffs offer customers who choose Duke Power's hourly pricing rate option the flexibility to determine the amount of their load that is subject to the variability of marginal cost-based hourly prices. Benefits to be derived from incentives associated with marginal cost pricing include efficient utilization of plant and equipment, minimizing the cost electricity and ultimately the cost of goods and services produced. These new tariffs are voluntary and under HP-Flex offers eligible customers the opportunity to accept more or less price risk, while Rider NL offers a four-year phased incentive for new load on Duke's system. Under Rider NL there exists the possibility of revenue shortfalls during the initial four-year period, therefore, ORS recommends the Company be required to tract any foregone revenue incurred as a result of this offering and any appropriate ratemaking treatment be allowed to be considered in future rate proceedings or other rate reviews.

Thank you for the opportunity to provide our comments in this matter.

Sincerely,


John W. Flitter

JWF/swh

cc: Dan F. Arnett, Chief of Staff, SC ORS
Florence Belser, General Counsel, SC ORS
William F. Austin, Esquire
Dr. James Spearman